

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 148.39	-3.1%	-8.9%	USD Mn – 20,267 KES Bn – 2,077
	NSE 20 Share Index – 4404.72	-2.1%	-13.8%	USD Mn – 17,104 KES Bn-1,754
UGANDA	UGSINDX – 1850.24	-2.4%	-4.0%	USD Mn- 7,483 UGS Bn – 25,634
TANZANIA	DSEI –2551.38	-1.2%	1.3%	USD Mn–10,670 TZS Bn – 22,324
RWANDA	RSEASI –143.62	-0.1%	5.7%	USD Mn – 4,287 RWF Bn – 3,102

Source: NSE,UGSE,RSE,DSE

KEY ECONOMIC INDICATORS

COUNTRY	EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KENYA	KES/USD – 102.52	-1.8%	-1.2%	6.6%(06/2015)	4.9%(1Q2015)
UGANDA	UGS/USD – 3425.81	-2.5%	-23.5%	4.9%(06/2015)	0.3%(3Q2014/15))
TANZANIA	TZS/USD -2086.44	-0.2%	-20.5%	6.1%(06/2015)	6.8%(3Q2014)
RWANDA	RWF/USD – 723.57	-0.1%	-4.2%	1.3%(06/2015)	7.6%(1Q2015)

Source: CBK, BOT, NBR, BOU, KNBS, UBOS, NISR, NBS

EABL Posts 39.6% Growth in After Tax Profits to KES 9.5Billion for FY2015

East African Breweries Limited (EABL) posted a 39.6% growth in profit after tax to KES 9.5billion buoyed by one off items with underlying performance at 16%. A gain of KES 1.8billion was realized as a result of the sale of 15 acres of land in Ruaraka. Net revenue grew by 6.0% to KES 64.4 billion attributed to 70% growth

in premium beer and 70% growth in Ready to Drink(RTDs). Reserve and premium spirits grew 71% and 31% respectively. Kenya's Net Sales Value(NSV) growth was 3% while that in Uganda was 7% driven by double digit growth of premium beer and strong Waragi and Reserve performance. Tanzania net sales were up by 2% however with a weakening Tanzanian shilling against the Kenyan shilling, there was a net 2% drop. Administrative expenses reduced by 16% to KES 7.8billion on the back of the previous year's restructuring. Net capital expenditure was KES 4.9 billion. Total group borrowings decreased by KES 3.2 billion with effective interest rate decreasing from 12.2% in FY14 to 11.4% in FY15. This resulted in interest expense decreasing 6% y-o-y. We expect top line revenue growth to continue on the back of increased growth in the premium beer, Ready-to-Drink, premium spirits and emerging spirits categories.

Inflation for the Month of July Eases to 6.6%

Inflation for the month of July stood at 6.6% from 7.0% the previous month. Food and Non-Alcoholic Drinks' Index decreased by 0.6% as decreases in prices of several food items outweighed increases. Housing, Water, Electricity, Gas and Other Fuels' Index increased by 0.8% due to increases in common cooking fuels and household utilities. Transport Index increased by 0.9% attributed to slight increase in cost of petrol and diesel. We expect inflation to remain under pressure owing to an increase in prices of fuel, electricity and maize flour as a result of increase in interest rates and a continued depreciating shilling.

Kenyan Stock Market Performance and Outlook

The overall market continued with its downward trend shedding 3.1% to 148.39 characterized by heavy foreign outflows. Britam was the week's gainer as investors took advantage of the price slump. We expect further marginal decline in the overall market index as supply outstrips demand. Notably, we expect price declines on ARM, KQ and CIC on the back of weak financial results.

Equity Market Summary

Banking Sector	Price (KES)	YTD change	% w-o-w Change	Volume Traded	C/I Ratio	P/E (X)	Dividend Yield	P/B (X)	ROE
KCB	50.00	-12.3%	-8.3%	15,361,900	50.20%	8.88	4.0%	1.97	22.30%
Equity Bank	39.25	-22.3%	-6.5%	25,823,200	55.30%	8.63	4.6%	2.28	25.80%
NIC Bank	49.50	-13.9%	3.1%	163,100	46.10%	7.00	2.0%	1.39	18.40%
CFC Stanbic	95.00	-23.4%	-3.5%	59,000	52.40%	6.61	6.5%	1.02	15.40%
National Bank	18.90	-23.6%	-2.3%	169,200	75.50%	6.08	0.0%	0.45	7.00%
Barclays Bank	14.05	-16.1%	-3.1%	3,009,800	57.30%	9.12	7.1%	2.00	23.60%
Housing Finance	23.00	-50.8%	10.8%	435,800	49.20%	5.46	6.5%	0.83	14.90%
Co-operative Bank	19.75	1.3%	-3.7%	5,485,400	58.90%	12.04	2.5%	2.22	18.50%
Diamond Trust Bank	205.00	-13.5%	3.0%	39,800	48.60%	9.35	1.1%	1.40	22.00%
Standard Chartered	270.00	-19.2%	-8.5%	49,700	39.90%	8.13	6.3%	2.06	25.80%
I&M	106.00	-15.2%	0.0%	17,300	37.40%	7.82	2.7%	1.48	20.40%
Sector Average						8.67	3.85%	1.55	19.46%

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	5.70	-34.5%	-17.4%	530,300	N/M	0.00%	-2.25	-25.20%
Nation Media Group	187.00	-34.4%	0.0%	14,400	14.27	5.35%	13.1	30.70%
Scangroup	38.75	-13.9%	1.9%	210,300	25.83	0.00%	2.7	10.60%
Uchumi Supermarket	7.25	-30.6%	7.4%	192,300	5.00	4.14%	1.45	12.20%
Atlas Development	10.00	-18.7%	0.5%	700	N/M	0.00%	-0.04	-7.5%
Sector P/E					80.94			

KQ eased 17.4% on the back of it announcing a KES 25.7 billion after tax loss for FY2015

ARM eased 10.6% after posting an after tax loss of KES 355.8 million for 1H2015

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
ARM Cement	63.00	-26.7%	-10.6%	232,900	20.93	0.95%	10.86%	15.85%
Bamburi Cement	154.00	10.8%	0.0%	5,000	15.71	7.79%	10.80%	11.70%
E.A. Portland Cement	54.00	-3.4%	-3.6%	4,000	N/M	0.00%	19.30%	25.00%
Sector P/E					18.66			17.51%

Energy & Petroleum Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
KenGen	8.45	-16.7%	2.4%	1,615,900	6.55	4.73%	1.29	3.70%
KenolKobil	8.00	-7.0%	-1.2%	19,977,000	10.81	2.50%	0.74	14.80%
Kenya Power	16.00	10.9%	1.3%	3,486,400	4.83	3.13%	3.31	11.90%
Sector P/E					7.16			

Britam gained 21.6% on the back of speculative demand

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio	ROE
CIC insurance	7.00	-30.0%	10.2%	0.81	16.28	65.80%	-	20.90%
Britam	17.45	-41.3%	21.6%	0.81	13.32	68.0%	32.90%	13.00%
Jubilee	560.00	24.4%	0.0%	0.96	11.67	-	19.70%	18.80%
Kenya Re	16.50	-2.9%	-2.4%	0.97	3.68	57.70%	9.40%	15.70%
Pan Africa Insurance	72.00	-40.0%	17.1%	0.98	7.94	-	16.70%	37.50%
Liberty	21.75	-6.5%	3.6%	0.89	10.16	75.70%	54.90%	17.40%
Sector Average				0.90	9.90			22.10%

Centum gained 4.0% on the back of foreign demand

Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	NAVPS**	EPS (KES)	ROE
Centum Investment	52.00	-18.7%	4.0%	1,481,400	4.98	1.08	48.00	10.44	20.60%
Home Afrika Ltd	2.45	-36.1%	-7.6%	866,200	N/M	2.88	0.85	-0.04	2.57%
Kurwitu Ventures Ltd	1,500.00	0.0%	0.0%	-	N/M	1.44	1043.71	-62.40	0.0%
Trans-Century	15.20	-23.1%	1.3%	19,000	N/M	0.37	40.96	1.06	4.70%

Sector P/E

8.95

*NPM- Net Profit Margin, **NAVPS- Net Asset Value Per Share

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
Nairobi Securities Exchange Ltd	20.00	-3.6%	4.7%	763,600	9.39	1.90%	2.13	20.70%
Sector P/E					9.39			

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
Mumias Sugar	1.90	-2.6%	0.0%	3,030,500	N/M	0.00%	-1.77	-12.60%
EABL	294.00	-2.6%	1.4%	846,600	25.99	2.04%	11.31	31.70%
FTG Holdings	7.80	-3.0%	-2.5%	65,000	7.88	0.00%	0.99	97.4%
Carbacid	16.95	-23.0%	20.6%	79,300	8.78	1.77%	1.93	24.70%
Eveready	3.90	0.0%	0.0%	158,800	N/M	0.00%	-0.8	20.10%
BAT	741.00	-17.8%	-8.9%	167,500	17.41	5.74%	42.55	52.30%
Sector P/E					28.19			19.80%

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
Safaricom	14.40	1.8%	-5.9%	77,202,400	18.00	4.44%	0.57	21.90%
Sector PE					18.00			

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Fixed Income Market Summary

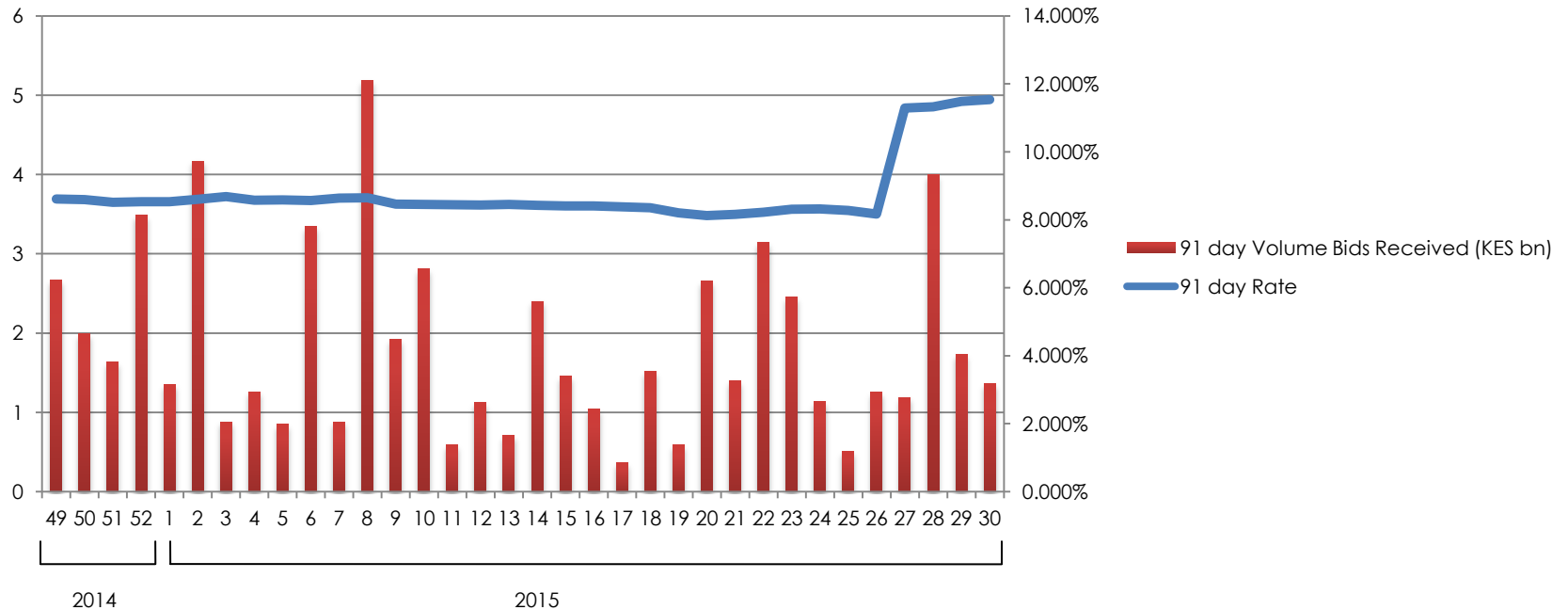
The week saw the government put up the 91, 182 and 364 day T - bills for auction and managed to raise KES 2.99 billion out of a target of KES 11.0 billion.

- 91 day t-bill rates up w-o-w
- Under-subscription recorded in all t-bill auctions

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate
91 day T-bill	1.36 Bn	45.3%	0.87 Bn	11.539%
182 day T-bill	0.86 Bn	21.5%	0.40 Bn	11.929%
364 day T-bill	2.15 Bn	53.8%	1.72 Bn	13.500%

The week under review saw the 91 and 364 day t-bills rise from 11.486% and 13.034% respectively. The 182 day t-bill dropped from 12.431%.

Graph showing 91 day t-bill rate and volume



The Secondary Market

Current week Turnover (KES)	Previous week Turnover (KES)	Current week No. of Deals	Previous week No. of deals
5,485,100,000	1,491,609,375	62	34

	Average Traded Yield	Total Value (KES)	No. of Trades
FXD2/2015/2Yr	12.5954%	240,000,000	2
FXD1/2015/5Yr	13.1887%	1,531,900,000	19
FXD1/2014/10Yr	12.7900%	340,000,000	3
FXD1/2010/25Yr	14.0237%	220,000,000	3

Actively Traded Infrastructure Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
IFB1/2013/12Yr	11.7375%	800,000,000	4
IFB1/2015/12Yr	11.7025%	1,716,500,000	20

Actively Traded Corporate Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
CFCB.BD.08/12/21-0042-12.95	12.5000%	100,000,000	1
CBAB.BD.14/12/20-0041-12.75	12.5000%	100,000,000	1

- Increase in bond turnover and number of deals w-o-w

Bond Market Outlook

- Subdued activity is still expected in the coming week due to liquidity constraints and a higher interest rate environment. The interbank rate currently stands at a new high of 19.2%.
- Increased activity expected in the IFB1/2015/12Yr trading at a range between 14.5000% and 15.0000%.

Market Recommendations

Counter	Recommendation	Comment
Bamburi	BUY	Our price target of KES 233.24 provides a 51.4% upside of from the current market price of KES 154.00. We expect the export and contractors market to be key drivers of growth. We also expect Bamburi to leverage on its parent company (Lafarge) in its strategy to make cement more of a service than a commodity.
Co-operative Bank	Hold	We revise our recommendation from BUY to HOLD based on our Target Price of KES 22.11, an upside potential of 11.9% from the current market price of KES 19.75. The bank's next phase of growth is hinged on the ongoing transformation strategy, dubbed the "soaring eagle transformation project". This strategy is expected to deliver operating efficiency and unlock new growth opportunities (such as cross-selling). Management targets a C/I ratio of 53.0% in FY2015. The bank boasts of a branch network that covers the entire country (in every county). With the wide branch network and the equally wide distribution of agents, the bank expects to build a strong deposit mobilization system. Management targets to grow the deposit base by 20%-25% FY2015.

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